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ABSTRACT

The role of higher education in reversing the nation's economic decline is discussed by the governor of Arkansas in this keynote address delivered at the 1988 National Conference on Higher Education. In this context, several recommendations are made: (1) the number of high school graduates who go to college needs to be increased from about 55% to about 80% and the high school dropout rate needs to be cut in half; (2) the problem of functional illiteracy in the work force must be dealt with; (3) follow-up work should be done with the individuals in the Grant Commission study (those between ages 16 and 24 who leave school and go to work); (4) colleges and universities should become more involved in the schools; (5) colleges and universities need to be more active in educating people about the world they live in and in teaching them how to be successful; (6) research and development investments in higher education should be used as an economic development tool for the United States; (7) new research is needed on the problems of the underclass; and (8) universities should try to make students see the interconnection of people in this country and throughout the world. (KM)

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TEACHING TO REBUILD THE NATION

by The Honorable Bill Clinton

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The theme of AAHE's conference—"The Highest Calling: Teaching to Rebuild the Nation" assumes two things: one is that you really believe that teaching is a high calling—and I hope you do—and second is that you believe America needs to be rebuilt.

In order to address these questions, however, you also have to ask a third: Can teachers in higher education rebuild it? I think the answers to all those questions are yes.

What I'd like to tell you is why we might be in decline but need not be, and why I think you have a pivotal role. Then I'll try to set out specific areas in which I think higher education institutions should be especially active between now and the turn of the century.

America in Decline?

Why might we be in decline? Because real wages peaked in 1973, that's why. And the median income declined by 17 percent between 1973 and 1986. The Reagan Administration announced recently that family income has gone up during the past six years. And it has. And do you know why? It's because there are more families with two workers, and people are working longer work weeks than they did a decade ago. But individual wage earners on average are still suffering declines.

What this means is that the post World War II era, in which we dominated the world economically, politically, and militarily, lasted from 1945–1973. We're finally beginning to see that America isn't back on track, as President Reagan claims, and that our problems are far more complex than blaming the federal government and its excesses for our difficulties.

We are going to have to create a new role for America in a world in which, I admit, we no longer dominate, but one in which we can still lead, and in which not only we but others would be better off if we did lead.

The bad news is obvious. I just gave you some of it; unfortunately, there's more.

Between 1981 and 1986, 40% of the American people had an increase in their income, 20% held steady, and 40% had a decline. You don't have to have a Ph.D. to figure out that if you run those trend lines out for two decades, then you don't have the America that you and I grew up in. You don't even have the America that we were able to hold out as a beacon of hope to the underprivileged and the oppressed, to the racial minorities, to women struggling to make it into jobs and other opportunities.

This has all happened largely as a result of America losing it's competitive economic advantage in three of the four areas where we've always had it. First, we used to be able to make more stuff faster and better than anybody else. We can no longer claim that. There are people all over the world who can do some things we do as well as we do it for wages we can no longer live on.

Second, we could rely on our vast stock of natural resources. These are not so important anymore; in the 80s, many primary products—oil, gas, minerals, etc.—were at their lowest real market price in the 20th century.

Third, we had a vast domestic market that was relatively independent so that the more we produced, the more we could sell. And we fed off our own wealth and success. Not so anymore. Seventy percent of American manufactured products are subject to direct competition from products manufactured overseas. Our markets are heavily penetrated. And

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we're not as good at penetrating other markets as other countries.

For example, last year the dollar fell by 47% against the Japanese yen. The dollar fell by only 17% against the average European currencies, but European countries reduced their trade deficit by four times as much as we did.

The fourth thing, thankfully, we still have: a core of really bright people and a core of institutions of higher education that are creating new things for people to do all the time. But the other three things we've lost.

During President Reagan's tenure, we've had a good reprieve. We've had the longest, though generally anemic, expansion in post World War II history. Basically, Reagan outdid Roosevelt in changing economic theory. He said, elect me and I'll cut your taxes, inflation, and interest rates, and I'll increase defense spending, *and* I'll balance the budget. He did everything except balance the budget, which he couldn't do because supply-side economics defies arithmetic. Everything else was done at a terrible cost.

In order to keep inflation down, we had to have high interest rates in order to borrow money from overseas to pay all our debts. So, we went from being the world's largest creditor nation to the world's largest debtor nation almost overnight. And our "recovery" was based on levels of consumption that couldn't be justified given the savings and investments needed to secure the long-term economic health and welfare of this country.

While we've had a pretty good run, then, we've actually been digging ourselves into a hole out of which we must now crawl if we expect to rebuild the nation. That, I submit, is the greatest challenge facing this country in this presidential election year.

Digging Out

How are we going to do it? We have to do three things, two of which are beyond my purview tonight but that must be mentioned. First, and most important, the next president has to create a new world economic order in which we can all grow. That means more trade, not less, and it means fair and reciprocal arrangements.

The trade situation is terribly frustrating. We don't have any general agreement that covers more than 10% of the items traded in the world today. We must have a new trade system, and we'll either have to do it in the way we've done it with Canada—negotiating a trade agreement country by country or region by region—or we'll have to get our major allies together and start all over again. In all, we'll have to act as the unselfish visionary. Because the truth is that unless there is more trade, there cannot be more growth, and unless there is more growth in the *world*, the average wage in this country will continue to decline. Without worldwide growth, people in other countries who can do what we do, for wages we can't live on, will pull us down to their levels.

Bill Clinton is the Governor of Arkansas. He presented this speech on March 9, 1988, as the Keynote Address at the 1988 AAHE National Conference on Higher Education.

Look at it this way: if Latin America had been growing at the rate it grew in the late 70s, our trade deficit last year would have been 20% lower than it was. In contrast, Japanese trade barriers accounted for only 5% of 1987's trade deficit.

The second thing we have to do is to have sound economic policies here at home. That means not just macro policies, but micro policies: How do management and labor relate to each other? How do they set aside enough money to invest in the future? How do they share decision making?

It's all the rage in the schools to talk about restructuring and empowerment—teachers and principals sharing power. Some of our best run companies are doing that between workers and management. But there's a dramatic contrast in America. Here it is, 1988, we've had our brains beaten out in world competition for several years now, and yet we still see big companies giving management big raises at a time when there are meagre dividends for stockholders and pay increases for workers.

In contrast, let me tell you about the NUCOR steel mill in my state. NUCOR Corporation is a North Carolina company with eleven steel mills in the U.S. It's the third most productive steel company in the world. NUCOR pays its workers a base wage plus a bonus. In the last six years, the bonus has been at least as much as the base wage. Well, one year they didn't get bonuses because the company lost money. So the president of the company took a cut in pay that was three times the cut the workers had to take. That's a good example of thoughtful micro-economic policy. With enough of them, this country's economic situation might improve.

The third thing we have to do—the most important of all—is to make sure that we have economic policies that allow the American *people* to compete.

I've mentioned that wages have been going downhill for fifteen years now, but there are three good indications that they might be about to turn around. First, manufacturing has held on as 23% of the gross national product during the 80s, in spite of everything else; productivity has gone up almost 4% a year this decade. That's good news. Second, the dollar's value is down, maybe too much right now, but as long as it's in better relationship with other currencies, we will be able to sell more both at home and abroad.

If Latin America had been growing at the rate it grew in the late 70s, our trade deficit last year would have been 20% lower than it was.

Third is something economists and politicans rarely discuss: the demographics of the nation are shifting back to a more favorable situation for the working people of this country. Over the last fifteen years, the whole baby-boom generation came into the work force, just as we began competing with people who were working for much lower wages abroad. And, at the time when the last of the baby-boomers were coming in, more and more women entered the work force.

Now the baby-boomers are in the next quadrant and are a much lower percentage of the overall work force. In addition, the number of women going into the work force will not measurably increase in the next ten years. That means that by 1995 we should have a labor shortage with lower unemployment, higher wages, higher income, and a stronger, more balanced America. That's *if* it happens.

What I must add is that it may *not* happen, and whether it happens or not depends in large measure on what you in higher education do between now and 1995 and beyond.

Connections

There is a closer connection between education and economic welfare than ever before. My wife serves on the Grant Commission which is studying all the people that you never see in higher education institutions, those between the ages of 16 and 24 who leave school and go to work. The Commission is taking a pretty upbeat approach. Most of these people, they say, are good, honest, fine people who want to work and be productive. Most of them are not unemployed and are very capable of making a contribution. But, in its interim report, the Commission reported some sobering findings.

From 1973–86, when average wages across the board declined 17%, average wages for young men between the ages of 20 and 24 who had graduated from high school declined 28%. Average wages for men in this age group who did not finish high school declined by 42%. The figures for minorities were even worse. In 1986, only 36½% of black men who did not go to college and who were working and paying taxes were capable of supporting a family above the poverty line.

One of the members of the Grant Commission is William Julius Wilson, a distinguished professor from the University of Chicago. In his book, *The Truly Disadvantaged*, Wilson argues that there may not be any race specific to the underclass anymore because economic reality has overwhelmed everything else. In the old days, he notes, the cities were full of factories; people could leave the farm and go up and get a job in a factory. It didn't matter if they could read, write, or count. As long as they had a strong back and a good heart and good values, they could learn the work and make enough money to support a family, buy a home, educate their kids, and be good citizens.

But two things happened at once to devastate the inner cities of America. First, the erosion of job opportunities for black males without good educations has destroyed the pool of marriageable

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males and added to the chaos of the inner city. And second, opportunities for blacks with an education meant they could leave the inner city. As they left, so did their contributions, as role models, to the social cohesion of the inner city.

Now, you may or may not agree with this analysis, but the point I want to make is that you don't have much chance anymore without *some* kind of an education—beyond high school.

Let's compare where we are in education with the Germans and Japanese, for example.

American kids go to school 180 days a year. Our competitors send their kids from 220–240 days a year. To be conservative, that means that those kids have over two years of education more than American kids who finish high school.

In this country, about half of those who finish high school go on to college or vocational school or community college. I submit that almost 100% of the people who experienced declines in their incomes between 1981–86 were in the half of the age group that did *not* go on to college. That leads to my first, perhaps heretical, recommendation: we are at a point in our history where quantity may be more important than quality, where the old salt that higher education isn't for everyone is not true.

I realize that this undermines all of the work we've been doing with the Education Commission of the States on assessment and accountability—all of which is terribly important. But the truth is that the best thing we can do for the American economy over the next couple of decades is to go from about 55% of our high school graduates going on to college to about 80% of them going, and to cut the high school drop-out rate in half.

If we could do that, we would be competitive. We still have the best system of higher education in the world; it's broader, deeper, and involves more people than anyone else's. But we have to have more people going to college because we've got about two more years of catch-up to do. I look to the colleges to make up that gap since, as a Governor who tried to lengthen the school year, I can tell you there is no way we'll go to a school year of 220–240 days any time soon in most states in this country.

So we have to do something to increase dramatically the college-going rate. One way to do this is to reverse the policies of the Reagan Administration. It's nuts to cut back on student loans at a time when the income of a middle-income family bears three times the load it did a generation ago to send a kid to college. It's very short-sighted. Funds should be increased, and dramatically.

The second thing that must be done is to deal with the problem of functional illiteracy within the existing work force. Our illiteracy rates are very much higher than those of most of our competitors, and they undermine the capability of our private sector. The average 18-year-old will change jobs seven times in a lifetime. Yet company after company finds terrible productivity problems when it tries to change production processes, because their people can't read.

The cost of teaching someone to read may be as low as $350 through some efficient state programs, or as high as $1500. But whatever the cost, it's still cheap. One of the things I'd like to see is for the federal government to create a new fund for scholarships and loans, or a mix of the two,

It's nuts to cut back on student loans when the income of a middle-income family bears three times the load it did a generation ago to send a kid to college.

dedicated to training students as literacy instructors who will become part of an army of people to be sent out in their respective states to teach people in the work force to read. If we did that, we could cut the illiteracy rate among working Americans in half within five years, *and* mobilize a great spirit of public service in the country, *and* get tens of thousands of kids to go beyond high school when they otherwise might not be able to do so. It would be a cheap solution to key problems and I think it should be seriously considered.

The third thing we need to do is to go back to the kids in the Grant Commission study. Sometimes family circumstances force people to go to work after, or before, graduating from high school. We don't track them when they leave high school so we don't know who they are, where they go, or what happens to them. We need to devise mechanisms in every state for somebody to talk to them, explain the income figures, and tell them what to expect; we need to encourage these students to keep in touch, offer them opportunities to finish high school or go on to college, and provide financial aid while they work and go to school. This group is almost half of all our young people. Unless we do something to keep up with them and get them hooked into further education, they'll be completely uncompetitive no matter how hard they work.

Fourth, I think colleges and universities should become more

involved in the schools. The ways of doing so are already well established; there already are hundreds of excellent programs around the country, but there should be thousands. Higher education has got to become involved in the business of bringing quality, excitement, and commitment back into the schools so that everybody *wants* to stay in.

Fifth, the colleges and universities need to be more active in educating people about the world they live in, and in giving them some idea of how to be successful given the very confusing set of economic circumstances we confront. There should be more programs in international studies that include languages, economics, and culture.

Next, in order to spread the benefits of technology across the country, the next president should adopt a deliberate policy ensuring that we use research and development investments in higher education as an economic development tool for the United States. It's crazy to be underspending in civilian research and development—which declined by 25% in real terms in the Reagan years—when we should be spending more. We're missing a wonderful opportunity for economic development and underusing our existing investment in higher education.

In addition, I think its terribly important to have serious new research on the problems of the underclass and what to do about it. Every American pays a dear price when tens of thousands of kids feel the only way they can have any kind of life is to peddle crack on the streets . . . or when kids can't walk home from school without being shot at . . . or when a baby in the nation's capital has a worse chance of living to be a year old than a baby in Costa Rica. We must have serious efforts in the colleges of this country to deal with these problems.

Finally, I think it is essential that our universities try to make our young people see how interconnected they are with everyone else who lives in this world, and especially in this country. There's a lot being written now about the idea of "community." People define it in different ways, but, in my judgment, each person needs to think in terms of community and interconnectedness as a matter of enlightened self-interest.

> At certain critical points in history, we have to pay a higher price for the future than at other times. We're at one of those points now.

Let me explain. When I was a kid, I was told by my grandparents, who raised me until I was four, that I had to get an education so I would do better than they had done. My grandfather had a 6th grade education, my grandmother a correspondence degree from the Chicago School of Nursing.

The other day I was with my PTA group putting in playground equipment. I looked at the kids who were standing around and thought, I want my child to get a good education, and sure I want her to do better than I did, but the truth is that I want her, and *all* those kids, to do well because *my* welfare depends on their doing well. That's something I think too many people forget, and it's something that needs to be brought back into the teaching of politics in its broadest and best sense.

Also, in teaching this idea of community, it must be made clear that we have to impose certain responsibilities when we extend rights. That's the essence of the Governors' welfare proposal that is working its way through Congress: we'll give you a welfare check and child care and medical coverage for your kids if you'll get educated and take a job if you can get it. The whole idea is that we have a mutuality of interest.

Future Preference

We also need to teach people where we are in history, and that, at certain critical points, we have to pay a higher price for the future than at other times. We're at one of those points now. We got a free run for nearly a generation; from 1948–73 our economy more or less ran on automatic and we didn't have to pay much of a price for the future. That's not true anymore.

For eight years we've pretended that we could basically ignore the future as long as the present was okay. And the way we've made the present okay has been to consume today what we should have been investing for tomorrow.

A former classmate from Georgetown just came up and shook hands with me. We were talking about a professor in Western Civilization who used to call this idea "future preference." He'd say, "You're sitting here today in this school where the tuition is high because your parents prefer your future to their present. If this country ever reaches the point where people no longer prefer their children's future to their present, then we've had it, and don't ever forget it."

Somehow, somebody has got to get that idea across to every young person in every institution of higher education in this country. Because, to end at the beginning, I think we do have to rebuild America. America is not a race, it's not a fixed set of institutions, it's hardly even a place. It's really an idea. For over two centuries we have been engaged in recreating it all the time. A couple of times it nearly broke—in the Civil War, in the Great Depression—times which, arguably, were severer tests of our vision and will than this time. But people cared enough to do what had to be done to preserve the future—they made enormous sacrifices in their present.

Today that task confronts us again, and the most important battlefield, I argue to you, may well be in the classrooms that you oversee.